

Commonwealth of Kentucky
Revenue Recognition

General

Tax Revenue

The tax revenue to be recognized are those receipts which are in the hands of a collecting agency on June 30, and for which a report is filed with the state agency responsible for collection between July 1 and July 31 for revenue earned for the month of June or prior period. Fines, forfeitures, and license fees will be recognized when received.

Certain tax revenues, which apply to fiscal year 2005, will have been received as of June 30. These shall be reported as deferred revenue.

Tax receipts to be recognized will be categorized as follows:

- A. Sales and Gross Receipts Tax
 - 1. Alcoholic Beverage Wholesale Tax
 - 2. Beer Excise Tax
 - 3. Cigarette Tax
 - 4. Distilled Spirits and Wine Excise Tax
 - 5. Distilled Spirits Fair Trade Tax
 - 6. Insurance Premium Surcharge
 - 7. Motor Fuels Tax – Gasoline
 - 8. Motor Fuels Tax - Liquefied Petroleum
 - 9. Motor Fuels Tax - Special Fuels
 - 10. Motor Vehicle U-Drive-It Usage Tax
 - 11. Motor Vehicle Usage Tax
 - 12. Racing Taxes
 - 13. Sales and Use Tax
- B. License and Privilege Taxes
 - 1. Minerals and Natural Gas Tax
 - 2. Motor Vehicle Registration
 - 3. Oil Production Tax
 - 4. Racing Taxes

C. Coal Severance Tax

This license and privilege tax is the largest producing General Fund Tax in this category. It is shown separately to present its relative importance to the Commonwealth.

D. Individual Income Tax

This tax will be recognized in the amount of the second calendar quarter withholding and estimated returns that are filed in July. Based on past experience, estimate the percent of withholdings that are refunded and apply this percentage to the first and second quarter withholding. This will be the amount of the "accounts payable" for 2005 income taxes.

There will also be refunds for calendar year 2005, which have not been paid as of June 30. This amount shall include refunds that have been authorized, but have not been processed, as well as an estimate of the amounts that are to be refunded that have not been authorized by June 30.

Charges for Services

Charges for services are revenues from whatever goods or services the fund provides in the normal course of business. Charges for Services do not include intrafund receipts for reporting purposes.

The recognition of this revenue will be based on those goods or services that have been provided, as of June 30, for which monies have not been received. This will include items that have not been billed, as well as those which have been billed but remain unpaid.

Charges for Services need to be separated into charges to the public and charges to state agencies. The portion of interfund charges to state agencies needs to be identified by the billing agency as to the account numbers the agency being charged will use. This identification may require some telephone or written requests by the billing agencies to gather this information. This information will be reported on form AFR 72. These are the transactions that are handled on a JVT and/or II where the credit side uses a receipt object code. The amount on AFR 72 must equal the amount on AFR 32. No distinction is necessary for the amount received within 30 days or over 30 days for charges to state agencies.

If monies have been received in advance of the goods or service being provided, this amount shall be recorded as deferred revenue on form AFR 30. Amounts already recorded in MARS as deferred revenue should not be included on form AFR 30.

Intergovernmental Revenues (R601-R697) (AFR 31)

Intergovernmental revenues are generally grants from federal or local governments. Grants can be categorized into two types for revenue recognition purposes:

- A. Reimbursement grants are funded after certain allowable expenditures/expenses have been made. Revenue is recognized when the allowable expenditures/expenses have been incurred.
- B. Front-end funded grants are those for which funding is received prior to the expenditures/expenses being incurred, or prior to the required function being performed. Of the revenue received in fiscal year 2005, the amount of the grant for which services have not been performed, or for which expenditures/expenses have not been incurred prior to June 30, is deferred revenue.

NOTE: Agencies are responsible for reporting receivables applicable to federal grants in the Capital Projects Fund.

Investment Income (R771-R772)

Dividend revenue is generally recognized at the date of declaration. Therefore, dividends declared but not received as of June 30 should be reported.

Accordingly, interest income earned but not received as of June 30 should be reported.

Non-operating Revenues (AFR 72A)

Non-operating revenues are those not earned in the normal course of business, such as the sale of property or equipment, or non-operating grants (private grants). Amounts earned but not received for non-operating revenues at June 30 should be reported.

If this is a refund of expenditure, please give the expenditure object. If this is an Interfund Transfer, list the agency number, fund, and expenditure object the transfer is due from.

Refund of Receipts

Refunds of receipts are those monies collected by the Commonwealth, which, after analysis, are determined to be in excess of the amount due the Commonwealth and are refunded to the payer.

Based on past experience, determine the amount of each receipt type collected for fiscal year 2005 that will be refunded after June 30, in fiscal year 2006. Refunds of receipts should be recorded for all receipts to which they apply.

Allowance for Uncollectibles

Of the receivables due the Commonwealth, there is a portion that will not be collected.

Based on past experience, determine the amount of receivables that are due but not expected to be collected.

NOTE: AFR 32 does not need to be completed for the categories Revenue, Deferred Revenue, or Refund of Receipts if that category does not exceed \$1,000.

Detailed Instructions
AFR 30
Revenue Recognition Worksheet

NOTE: Attach AFR 30 to AFR 32 and retain a copy with agency workpapers.

1. Enter the date the form is completed.
2. Enter the official agency name.
3. Enter the cabinet and agency number.
4. Enter the fund name.
5. Enter the four-digit fund number.
6. Enter the individual revenue source code associated with each amount.
7. Summarize by revenue source code the amount of revenue earned in fiscal year 2005 which was not received as of June 30, 2005, and will process on a new year document.
8. Estimate the date of receipt. If there are significant variances between expected dates of receipt for the same type of revenue, please group the amounts by the expected date of receipt: (1) within 30 days or (2) over 30 days.
9. Of the amount of revenues received and recorded in the accounting system prior to June 30, determine the amount that is unearned as of June 30. This is deferred revenue and may be the only entry for some revenue source codes.
10. Based on past experience, estimate the amount of fiscal year 2005 receipts to be refunded in fiscal year 2006.
11. Based on past experience, estimate the amount of receivables that are due but not expected to be collected. Record for each revenue source code used.
12. Total columns, recap revenue source codes, and transfer amounts to form AFR 32. See Instructions for form AFR 32.
13. Enter the name of the person who prepared the form.
14. Enter the phone number of the person who prepared the form.

Detailed Instructions

AFR 31

Grant Revenue Worksheet

NOTE: Attach AFR 31 to AFR 32 and retain a copy with workpapers.

1. Enter the date the form is completed.
2. Enter the official agency name.
3. Enter the cabinet and agency number.
4. Enter the fund name.
5. Enter the four-digit fund number.
6. Enter the individual revenue source code for each amount.
7. Enter the amount of each type of grant revenue earned but not yet received. For reimbursement grants, determine the amount of the grant that has been earned (expenditure/expense incurred) as of June 30, but has not been received, and will be submitted on a new year document.
8. Estimate the date funds are expected to be received. Use the criteria: (1) within one year, or (2) over one year.
9. Determine for each "front-end" funded grant the amount of monies received in fiscal year 2005 that has not been earned as of June 30. If project is only 60% completed, then 40% of grant monies received are unearned, and 40% will be reported as deferred revenue.
10. Total columns, transfer to form AFR 32 as "Intergovernmental Revenue."
11. Enter the name of the person who prepared the form.
12. Enter the phone number of the person who prepared the form.

Detailed Instructions
AFR 32
Revenue Recognition Recap

NOTE: After AFR 30 and AFR 31 worksheets, or similar worksheets, are completed, the information needs to be summarized by source as shown on Form AFR 32.

1. Enter the date the form is completed.
2. Enter the official agency name.
3. Enter the cabinet and agency number.
4. Enter the fund name.
5. Enter the four-digit fund number.
6. Enter totals as recapped from form AFR 30 or similar revenue recognition worksheet. If any revenue source code has been separated by estimated date of receipt, total all receipts in that category according to estimated date of receipt. Example:

R402	Within 30 days	20.00
	Over 30 days	10.00

R403	Within 30 days	25.00
	Over 30 days	5.00

CAN BE SUMMARIZED AS

Charges to Public	Within 30 days	45.00
	Over 30 days	15.00

7. Enter totals from form AFR 31 or similar grant worksheet.
8. When an entry is made to Charges for Services to State Agencies the billing agency must complete Form AFR 72. Do not include any intrafund activity.
9. Any revenue source codes not categorized on this form should be written in the section indicated as "Non-operating and/or Other Revenue."
10. Total columns.
11. Enter the name of the person who prepared the form.
12. Enter the phone number of person who prepared the form.

Detailed Instructions
AFR 72
Charges to State Agencies

NOTE: Central billing agencies, such as Central Printing, should already have the necessary information to complete this form. Other agencies may have to request the information from the agency being charged.

1. Enter the date the form is completed.
2. Enter billing agency name.
3. Enter the cabinet and agency number for billing agency.
4. Enter the billing fund name.
5. Enter the four-digit fund number.
6. Enter the entire MARS account number to be charged. If there are multiple billings to a single account, please summarize. Do not include intrafund transactions.
7. Record the amount to be charged.
8. Enter total amount due. Verify that the total amount due equals the amount shown on form AFR 32 "Charges to State Agencies."
9. Enter the name of the person who prepared the form.
10. Enter the phone number of the person who prepared the form.

DO NOT INCLUDE INTRAFUND TRANSACTIONS

Detailed Instructions

AFR 72A

Operating Transfers Out

1. Enter the date the form is completed.
2. Enter billing agency name.
3. Enter the cabinet and agency number for billing agency.
4. Enter the billing fund name.
5. Enter the four-digit fund number.
6. Enter the entire MARS account number including object code. Do not include intrafund transfers.
7. Record the amount of the transfer.
8. Enter total amount due.
9. Enter the name of the person who prepared the form.
10. Enter the phone number of the person who prepared the form.

DO NOT INCLUDE INTRAFUND TRANSFERS

Detailed Instructions

AFR 33

Schedule of Accounts Receivable for Capital Projects

NOTE: Complete this schedule for Capital Projects Fund (0200) projects due reimbursement from federal or local grants as of June 30. Include reimbursements requested and deposited in July to fiscal 2006 (new year).

1. Enter the date the form is completed.
2. Enter the official agency name.
3. Enter the cabinet and agency number.
4. Column 1: Enter the MARS account number.

Column 2: Enter the source of funds and grant number.

Column 3: Enter the RESULTS of the following computation: TOTAL EXPENDITURES (which posted through June 30) (-) TOTAL FUNDS RECEIVED AND DEPOSITED (through June 30). The result should be total expenditures eligible for reimbursement.

Column 4: Enter the amount of all unpaid invoices and invoices paid July (new year) for goods and services provided through June 30.

Column 5: Enter the reimbursement rate for this grant (100%, 75%, etc.).

Column 6: Enter the results of the following computation: (Column 3 + Column 4) x Column 5.

5. Enter the total of column 6. (This represents monies due your agency from the grantor at close of business June 30, and is an accounts receivable).
6. Enter the name of the person who prepared the form.
7. Enter the phone number of the person who prepared the form.